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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/699,314	10/31/2003	Bruce M. Horton	NYMX0001	3935
25235 7590 09/08/2008 HOGAN & HARTSON LLP ONE TABOR CENTER, SUITE 1500 1200 SEVENTEENTH ST DENVER, CO 80202				
EXAMINER				
SHUMATE, PAUL W				
ART UNIT		PAPER NUMBER		
3693				
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09/08/2008		PAPER		

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

### Office Action Summary

**Application No.**

10/699,314

**Applicant(s)**

HORTON ET AL.

**Examiner**

PAUL SHUMATE

**Art Unit**

3693

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --  
**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 22 July 2008.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-18 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-18 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- 1) ☐ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO/SF/ICE)  
Paper No(s)/Mail Date \_\_\_\_\_
- 4) ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date \_\_\_\_\_
- 5) ☐ Notice of Informal Patent Application
- 6) ☐ Other: \_\_\_\_\_



## **DETAILED ACTION**

### ***Status of Claims***

1. This action is in reply to the communication filed on 7/22/2008. Claims 1-18 are currently pending, have been examined, and stand rejected. Claims 1 and 12 have been amended by Applicant.

### ***Continued Examination Under 37 CFR 1.114***

2. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 7/22/2008 has been entered.

### ***Claim Rejections - 35 USC § 112***

3. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

4. Claims 1-18 rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Throughout claims 1-8 and 9-14, Applicant recites limitations such as "the contract," "the futures contract," "the eroding futures contract," "the single futures contract," and "the variable quantity single futures contract." There is insufficient antecedent basis for many of these limitations in the claims and it is often unclear as to whether Applicant intends to reference and treat such limitations as "a futures contract, "an eroding futures contract," and "a single futures contract" distinctly and independently or to reference and treat all the variously termed futures contracts as one.

Claims 5, 6, 15, and 16 bring up similar issues as explained above where they recite the limitation "the defined period" while presumably intending to reference "a period of time" as recited in claim 1 or "a defined settlement period" as recited in claim 12.

Claim 12 recites the limitation "the variable quantity single futures contract."

Claim 13 recites the limitation "the futures contracts."

There is insufficient antecedent basis for these limitations in the claims. Appropriate action to correct and clarify these issues is required.

***Claim Rejections - 35 USC § 103***

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. Claim(s) 1-4, and 7-14 rejected under 35 U.S.C. 103(a) as being unpatentable over by Lange, U.S. Patent Application Publication No.: 2002/0099640, in view of Vacante et al., U.S. Patent Application Publication No.: 2004/0176990, further in view of Official Notice.

As per claims 1 and 12, Lange teaches trading a strip of futures which is equivalent to executing simultaneously a group of futures with different expiration dates (see at least paragraph 0709) for a single price (see at least paragraphs 0908 and 0923). This single trade (for a single price) of a strip represents and defines contract obligations regarding the delivery of defined quantities of a commodity or service at various specified future settlement times or events. Therefore the examiner interprets the traded strip in Lange to be substantially equivalent to the eroding futures contract of the present invention. The defined size of the traded strip is the net value or sum of the sizes defined in each future making up the strip. The specified delivery location is defined by the specific delivery locations of each future making up the strip. The plurality of defined settlement dates is the plurality of expiration dates defined in each future making

up the strip. The specified time period of the settlement dates is the range covered from the first expiration date to the last expiration date of the futures making up the strip. The initial margin associated with a traded strip of futures is the netted initial margins associated with each future making up the strip. Upon expiration of at least one of the futures making up the strip, it is old and well known that that future must be settled, either through cash settlement or through physical delivery of the underlying commodity. Therefore every time a future in the strip expires, and is then settled, a portion of the traded strip is now settled. Since the margin requirement of a financial product is generally specified relative to the product's current market value, as portions of a strip are settled, the market value of the remaining open portion of the strip changes, which would therefore also change the margin requirement associated with the strip as well.

Although the examiner believes the teachings of Lange do teach or *at least strongly suggest* that Lange's digital strip is substantially equivalent to Applicant's "Eroding Futures Contract," the examiner does acknowledge that Lange does not specifically state, word for word, that the digital strip involves a *single futures contract* which includes multiple settlement quantities and associated settlement dates.

However, Vacante teaches a method and system for trading futures contracts where "the future may also specify other standard and non-standard contract terms [and] the future may provide for multiple purchases, each purchase with its own expiration date and time (see at least the last 6 lines of paragraph 0015)." Further, Vacante teaches that "the future may have the ability to be exercised in part or piecemeal [and] the unexercised portion may be re-sold to third parties or retained (see at least paragraph 0021). It would have been obvious at the time the invention was made to a person having ordinary skill in the art to incorporate the teachings of Vacante into the teachings of Lange to specifically teach trading a single futures contract with multiple delivery events to occur over a schedule period of time because this enables purchasers to better mitigate risk using non-standard or non-traditional contract terms (see at least paragraphs 0005 and 0015). In Lange, the single strip of futures is interpreted as being substantially equivalent to the claimed "Eroding Futures Contract" as explained above. The strip itself is a single contract agreement whose contract terms are defined by the all the contract terms of the multiple futures grouped together in the strip. The fact that the strip is sold in a

single transaction at a single price, referred to as the strip price, further enforces the argument that the strip is a single contract substantially equivalent to the claimed "Eroding Futures Contract." However, specifically teaches a future with multiple purchase events, where each purchase has its own expiration (or settlement) date and time.

While Lange in view of Vacante teaches an eroding futures contract having a defined size and a plurality of settlement events scheduled to occur across various future dates as explained above, Lange and Vacante both fail to specifically teach that the futures contracts are traded on a regulated exchange. The examiner takes Official Notice that it is old and well known in the art to trade financial products such as options, futures, strips, and spreads on a regulated exchange. It would have been obvious at the time the invention was made to trade futures contracts on a regulated exchange because this increases liquidity and helps provide better information to traders regarding potential trades. Further, it can be argued that Lange and Vacante both strongly suggest trading on a regulated exchange simply because they both teach trading various types of futures and it is old and well known that futures contracts are commonly traded on regulated exchanges.

As per claims 2, 3, 13, and 14, Vacante further teaches trading any un-exercised portions of a futures contract before a final settlement or expiration date and clearing a finally settled portion of the futures contract after a defined settlement event (see at least paragraphs 0015, 0017, and 0021).

As per claim 4, Lange further discloses generating reports reflecting activity related to the trading and settlement of exchange trades (see at least paragraphs 0098, 0194, and 0761).

As per claims 5, 6, 15, and 16, the examiner takes Official Notice that strips of futures contracts are commonly traded to mitigate risk in a market with volatile prices and therefore the range of expiration dates defined in a strip of futures contracts are related to the volatility patterns of the market in which they futures contracts are traded. Depending on the market, this range may be days, months, and even years. It would be obvious for the range of expiration dates defined in a traded strip of futures contracts to be span days, weeks, months, or years depending on the market in which the strip of futures contracts is traded.

As per claim 7, Lange discloses a single trade comprising multiple futures contracts with different expiration dates as shown above. He further discloses reducing an open position value of the contract by an amount equal to a quantity of the contract that was finally settled because this is exactly what happens when any one of the futures contracts in the strip expires, and is therefore settled, while other futures contracts still exist in the strip that have not yet expired. Vacante teaches the limitations of claim 7 in at least paragraphs 0015 and 0021.

As per claim 8, see the rejections for claims 1 and 7 as shown above, referencing Lange paragraph 0709 as well.

As per claim 9, Lange further teaches in paragraph 0709 each final settlement event, which is represented by each different futures contract's settlement, occurs at a contract-specified settlement time, which is represented by each contracts individual expiration date.

As per claims 10 and 11, Vacante further teaches the traded futures contract as a fixed quantity contract and also as a variable quantity contract (see at least paragraphs 0015, 0017, and 0021).

As per claims 17 and 18, the examiner takes Official Notice that it is old and well known in the art that settling and clearing a futures contract obligation is commonly done through cash payment or physical delivery of the underlying commodity and therefore would have been obvious settlement methods to specifically include in the teachings of Lange and Vacante since both Lange and Vacante teach methods of trading futures contracts.



***Response to Arguments***

7. Applicant's arguments have been fully considered but they are not persuasive.
8. Applicant appears to argue that the trading of a strip of futures and the trading of the claimed "eroding futures contract" are significantly different. The examiner respectfully disagrees. The examiner would like to point out and address that the Applicant has drawn a number of conclusions based on improper comparisons between the individual contracts which make up a strip and the claimed invention. As a specific example, Applicant argues that Lange does not teach the limitations of the current invention because "individual futures contracts of a strip are not partially settled." However, the examiner has not argued that the futures which make up the strip read on the present invention but that the strip of futures itself reads on and teaches the limitations of the claimed eroding futures contract. Therefore, as explained above, when individual futures which make up the strip are settled while other futures remain open, the strip itself is partially settled.

9. Specifically, Applicant argues that the teachings of Lange imply multiple margin calculations for an eroding strip. The examiner respectfully disagrees and asserts that there would only be one margin calculation for a single eroding strip, but that calculation would consist of numerous steps. The numerous steps involved in calculating the margin requirements for a single eroding strip would include smaller, simpler calculations to determine the market value and therefore the margin requirement for the various building blocks or settlement periods of the eroding strip. Further, Applicant's main argument that Lange does not teach the present invention primarily because Lange's strip is a group of futures contracts as oppose to a single eroding futures contract is improper because Applicant has considered Lange individually while the previous rejection clearly states that Lange in view of Vacante teach the present invention. In response to Applicant's piecemeal analysis of the references, one cannot show non-obviousness by attacking references individually where, as here, the rejections are based on combinations of references. In the instant case, applicant refutes each prior art reference individually, rather than viewing them in combination, in light of the totality of their combined teachings. Non-obviousness cannot be established by attacking references individually where the rejection is based upon the teachings of a combination of references. Thus, Lange, must be read, not in isolation, but for what it fairly teaches in combination with Vacante as a whole. While Lange teaches the claimed limitations with respect to a single strip of futures traded at a single cost (the cost of the strip contract), Vacante teaches the claimed limitations of multiple settlement events and dates as part of a single future, as shown above. Therefore Lange in view of Vacante does in fact teach the single eroding futures contract as presently claimed.

10. Also, regarding the argument that the claimed invention is not taught by Lange because Lange teaches a strip which is made up of a *group of contracts*, the examiner points out that in claim 8 Applicant further claims that the eroding futures contract comprises a plurality of component contracts. Therefore the eroding futures contract of claim 8 is made up of multiple component contracts, which is exactly what Lange teaches when disclosing a strip traded at a single price which is made up of multiple (component) futures contracts.

11. Further, Applicant argues that Lange in view of Vacante fails to teach or suggest "an initial margin for an eroding single futures contract traded on a regulated exchange which changes after each final part settlement of the eroding singles futures contract." The examiner asserts that the limitation as stated is not found in the claims and further states that Applicant's argument as to just what Lange in view of Vacante fail to teach is unclear and confusing. The examiner believes Applicant intended to argue that Lange in view of Vacante fails to teach or suggest an initial margin for a single eroding futures contract, traded on a regulated exchange, where the initial margin changes as a result to finally settling part of the futures contract. As explained above, the initial margin associated with a traded strip of futures is the netted initial margins associated with each future making up the strip. Upon expiration of at least one of the futures making up the strip, it is old and well known that that future must be settled, either through cash settlement or through physical delivery of the underlying commodity. Therefore every time a future in the strip expires, and is then settled, a portion of the traded strip is now settled. Since the margin requirement of a financial product is generally specified relative to the product's current market value, as portions of a strip are settled, the market value of the remaining open portion of the strip changes, which would therefore also change the margin requirement associated with the strip as well. In Vacante, as each of a single futures multiple purchases are settled, each purchase with its own expiration date and time, the market value of the remaining, un-exercised portion of the future contract will change, therefore also changing the initial margin requirements which were originally based on the market value of the futures contract when it was first defined and purchased. Applicant's arguments regarding the fact that nowhere is the phrase "regulated exchange" or its equivalent identified in the prior art are moot in view of the new grounds for rejection.

12. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Paul Shumate whose telephone number is 571-270-1830. The examiner can normally be reached on M-F 8:30 AM - 6:00 PM, EST alt Fridays off.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

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